

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 EUR-12 NSC-05
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AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMCONSUL MILAN
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 5281

E.O. 11652: GDS
TAGS: EINV ETRD EG
SUBJ: INVESTMENT IN EGYPT: QUALIFIED PROGRESS ON THE APPROVALS FRONT

REF: CAIRO 4987

1. AS ANTICIPATED (REFTEL) EGYPTIANS HAVE APPARENTLY APPROVED SOME 65-70 PROJECTS BY FOREIGN INVESTORS. PRESS PROVIDES EXTENSIVE COVERAGE OF ANNOUNCEMENT CONCERNING MARCH 27 ACTION BY INVESTMENTS AND FREE ZONES AUTHORITY OF VENTURES WITH TOTAL CAPITAL OF LE 404 MILLION, INCLUDING FOREIGN EXCHANGE COMPNET OF LE 174 MILLION (\$250 MILLION). WHEN ESTABLISHED, PROJECTS WILL CREATE 52,000 JOBS WITH AN ANNUAL PAYROLL OF LE 50.2 MILLION AND EXPORTS VALUED AT LE 372 MILLION (\$530 MILLION).

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2. IN MARCH 28 MEETING WITH MINECON EL SAYEH, AID DIR AND ECONCOUNS ASKED A SERIES OF QUESTION CONCERNING PRECEDING DAY'S ANNOUNCEMENTS, WITH PARTICULAR EMPHASIS ON WHAT THIS MEANT FOR BOYCOTTED FIRMS ON THE LIST. EL SAYEH FREELY ACKNOWLEDGED THAT FORD, COCA COLA, EXEROX AND COLGATE-PALMOLIVE WOULD THEMSELVES BE

REPOSIBLE FOR GETTING OFF THE BOYCOTT. HE SAID THAT SEVARAL APPLICATIONS FOR INVESTMENT APPROVAL STIPULATED THAT THEY WERE DEPENDENT ON REMOVAL FROM THE BLACKLIST WITH AN INDICATION THIS WOULD BE DONE BY GOE. EL SAYEH CONTENDEED THAT THIS COULD NOT POSSIBLE BE TASK TO WHICH GOE COULD COMMIT ITSELF CONTRACTUALLY, AND THAT EFFORT WAS RESPONSIBLIITY OF COMPANY ONE THEY HAD RECEIVED EGYPTIAN APPROVAL TO UNDERTAKE VENTURE. EMBOFFS POINTED OUT THAT THIS WAS RATHER MARKED DEPARTURE OF PREVIOUS POSITION OF EGYPTIAN OFFICIALS, IN PARTICULAR FONMIN FAHMY, WHO HAD IMPLICITLY MADE COMMITMENT OF GOE TO HAVE MAJOR ROLE IN REMOVAL FROM BLACKLIST QUITE CLEAR.

3. IN EFFORT TO SORT OUT THIS QUESTION, EL SAYEH HAD VICE CHAIRMAN OF INVESTMENT AUTHORITY ABDEL MEGUID JOIN MEETING. LATTER, IN HIS USUAL "NO PROBLEM" CONFIGURATION, INDICATED THAT WHILE NO WRITTEN STIPULATION CONCERNING REMOVAL FROM BLACKLIST IS CONTAINED IN ANY OF PROPOSALS THUS FAR RECEIVED, GOE WOULD CERTAINLY UNDERTAKE TO USE ITS BEST OFFICES IN ASSISTING INDIVIDUAL FIRMS TO GET OFF BOYCOTT. THERE WAS SOME DIFFERENCE OF VIEW BETWEEN EL SAYEH AND MEGUID ON IMPORTANCE OF BOYCOTT ISSUE INSOFAR AS EGYPTIAN INVESTMENT IS CONCERNED. EL SAYEH STATED COMPANIES INVOLVED WOULD BE EGYPTIAN JOINT VENTURES AND THEREFORE WOULD BE FREE TO EXPORT TO OTHER ARAB COUNTRIES REGARDLESS OF STATUS OF BOYCOTT OF US INVESTOR. MEGUID RECOGNIZED, HOWEVER, THAT EGYPTIAN COMPANY STATUS MIGHT SIMPLY NOT BE ADEQUATE AND THAT CLEAR REMOVAL FROM CONFIDENTIAL

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BOYCOTT WAS PROBABLY NEEDED TO ASSURE THAT INVESTMENTS WOULD TAKE PLACE. THIS WAS NOT MAJOR ISSUE AT THIS TIME ABDEL MEGUID ADDED, SINCE AT THIS STAGE COMPANIES HAD RECEIVED ONLY HIS BRIEF NOTIFICATION OF APPROVAL OF THEIR PROJECTS WITH AN INVITATION TO COME TO EGYPT AND DISCUSS STILL OUTSTANDING DETAILS. OBVIOUSLY WHEN COMPANY REPS COME TO CAIRO, GOE AND THEY WILL HAVE TO DISCUSS PRECISELY HOW TO PROCEED ON BOYCOTT ISSUE. AS EXAMPLE, MEGUID SUGGESTED FORD COULD INITIATE ACTION ON BASIS OF APPROVED PROJECT, BUT GOE WOULD THEN GIVE FIRM SUPPORT AND WOULD URGE FORD TO USE ITS OTHER ARAB SUPPORT IN THIS INVESTMENT ALSO TO WORK WITH BOYCOTT COMMITTEE.

4. ABDEL MEGUID OFFERED AS ILLUSTRATION OF HIS SUCCESS IN MOVING FORWARD ON FOREIGN INVESTMENT SCENE REPORTED AGREEMENT BETWEEN GOODYEAR AND MICHELIN THAT THEIR TIRE PROJECTS ARE NOT MUTUALLY EXCLUSIVE. HE SAID THAT SINCE MICHELIN WISHES TO PRODUCE ONLY RADIAL STEEL

TRUCK TIRES, AND GOODYEAR WISHES TO PRODUCE FULL RANGE, ALL THAT WAS REQUIRED WAS TO OBTAIN GOODYEAR'S AGREEMENT NOT TO PRODUCE TIRES WHICH COMPETED WITH MICELIN. HE SEEMED CONFIDENT THAT BOTH PROPOSALS COULD THEREFORE MOVE FORWARD.

5. COMMENT. WHILE FORMAL ACTION ON APPROVAL PROCESS IS A STEP IN DEALING WITH POTENTIAL INVESTORS, THERE IS SOME QUESTION THAT MERE FACT OF APPROVAL ASSURES INVESTMENTS WILL BE MADE, ESPECIALLY SINCE APPROVALS ARE IN PRINCIPLE ONLY. MANY DETAILS ARE LEFT TO BE WORKED OUT WITH INDIVIDUAL COMPANIES, EVEN THOSE WHO DO NOT HAVE BOYCOTT-RELATED DIFFICULTIES, AND IT WILL OBVIOUSLY BE A LITTLE WHILE AT LEAST BEFORE ANY FINAL AGREEMENTS ARE REACHED. IN ANY EVENT, FOREIGN INVESTMENT LAW, WHOSE PROPOSED AMENDMENTS ARE REPORTEDLY IN FINAL STAGES OF BEING PREPARED FOR CONSIDERATION BY PEOPLES ASSEMBLY
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(SEPTTEL), WILL HAVE TO BE CHANGED BEFORE INVESTMENTS WILL MOVE.

6. MEETING REVEALED SOME MINOR CONFUSION ON PARTS OF EL SAYEH AND ABDEL MEGUID AS TO SPECIFICS AND MODALITIES OF A NUMBER OF INVESTMENT PROPOSALS AND AN EVIDENT LACK OF INFORMATION AS TO THE PLANS OF SOME OF THE PROPOSED OPERATIONS. OVERALL EMPHASIS AT MINISTRY, HOWEVER, WAS QUITE UP-BEAT, AND EGYPTIANS EVIDENTLY HOPE TO GET AT VERY LEAST GOOD PRESS PLAY IN CONNECTION WITH SADAT VISIT. IT MAY BE USEFUL TO NOTE, IN THIS CONNECTION, THAT BUSINESS WEEK REPS ADVISED US THAT DURING INTERVIEW WITH PRESIDENT SADAT LAST WEEK THEY ASKED HIM IF HE WAS SATISFIED WITH PROGRESS OF OPEN DOOR FROM INVESTMENT POINT OF VIEW. SADAT REPORTEDLY REPLIED HE WAS QUITE SATISFIED AND IN FACT GRATIFIED BY SUCCESS IN ATTRACTING FOREIGN INVESTORS.
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Message Attributes

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Channel Indicators: n/a
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Disposition Comment: 25 YEAR REVIEW
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